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United Shoe Machinery Corporation

The documents in the case

[Boston]

[1915]

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61 p. ports. 22 cm.

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DATE FILMED: 1/20/97 INITIALS: AR

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The Documents in the Case

"The Documents in the Case"

presents the story of the service of the United Shoe Machinery Company

in the

Testimony of Public Men
Opinions of Federal Judges
Testimony of Editors and Writers
Testimony of Shoe Manufacturers

I

GOV. WALSH OF MASSACHUSETTS

"A Great Corporation Which Believes in Giving Its Employees a Square Deal"

Governor David I. Walsh of Massachusetts spoke to the twenty thousand people who attended the fifth annual Sam Sam Day of the United Shoe Machinery Athletic Association at Beverly, Saturday, August 14, 1915. In the course of his remarks he said:

HON. DAVID I. WALSH

"I doubt if you can find anywhere in this Commonwealth another industrial organization that is doing the work the United Shoe Machinery Company is doing for its employees. I have traveled all over the State but I have found no company doing welfare work on such a large scale as is your company. I must congratulate its officers, on behalf of the Commonwealth of Massachusetts, for this splendid work.

"I have just returned from California where I saw for the first time the wonderful moving pictures of your company entitled 'The Making of a Shoe,' on exhibition in connection with the exhibit of the State. As I sat in front of the screen I was amazed at the work

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done by the machines—machines that seemed absolutely human in their ability to do the work for which they were designed and developed by your company. Some of these machines may, I dare say, be built in a day, or a week, but the time and thought required to build the originals must have meant years of effort, and work and study on the part of great inventive genius. And as I sat there I realized, as I had never realized before, how much the United Shoe Machinery Company has done for the public; how different are the methods used today in making a pair of shoes from the methods used two decades ago; and how many of these changes are to be credited to this organization.

"It was a matter of pride for me, too, to consider, as I watched the pictures of these wonderful machines at work and also saw some of them in the exhibit of the company at the exposition, that they were the offspring of the inventive and industrial genius of this Commonwealth. And I was proud, too, of the fact that they were the products of a great Massachusetts corporation which believes in giving its employees a square deal, and which, because of that fact, has never had a labor trouble in all the years of its existence. So it is well that your Governor should come here, if for no other reason than to show by his presence that the Commonwealth is to be congratulated on having within its confines a company headed by men of brains and intelligence, and employing workmen of such sterling qualities. And I trust that the spirit of co-operation which exists will continue and the bond made by mutual interest be strengthened."

"Touches the Patriotism—An Inspiration to a Public Man"

At a luncheon later in the day given him by employees of the Company the Governor said:

"This is all a revelation to me—this splendid co-operative spirit. We have dreamt of such things, but I didn't think it possible. Such co-operation in an industry of Massachusetts is to me strengthening and encouraging.

"Words are wanting to express my feelings of pride and pleasure and I am grateful to all who had any interest in this affair.

It touches the patriotism when one sees another purpose and another work than the accumulation of dividends. It is an inspiration to a public man.

"I see here great possibilities. As I enter into your spirit in Beverly today I do not wonder that at times you must have been impatient with governments and legislation of certain kinds. The first consideration of any business is, first, the idea of a return on the investment—a generous return. The compensation for risk and hazard is a generous return.

"This accomplished, it is an inspiration to me that the men who built up this business then turned to the positive betterment of conditions of the employee. And the result is this intimacy and friendliness between employee and employer which I see at this board tonight.

"How different from the common understanding about such things. The very fact that the employees invited the Governor was looked upon as a suspicious act by the employer, and if the employer invited the Governor the employee would consider it sinister. So I am touched with my reception here, for though we may differ politically; though we may be of different stations in life and of varying religious beliefs, after all is said and done we are men—patriotic Americans."

"I Have No Criticism but Words of Praise"

Governor Walsh visited the factory of the United Shoe Machinery Company at Beverly on September 20, 1915, and made a thorough inspection of it. At an informal dinner which followed, Mr. G. W. Brown, vice-president of the company, acted as host. The Governor said:

"You have shown me today the highest perfection in industrial life, and you who know me best know that I do not say what I do not believe, and such things as this I would shout from the housetops.

"I sincerely hope that the financial side is as prosperous as the side you have shown me today, and *you have shown me a side of our State industry that makes me proud to be a Governor of Massachusetts.*

"*Companies like yours are subject to abuse. No man can rise one inch without being subject to abuse. No great industrial organization can rise one inch without being subject to abuse. You must expect it. But bring these men to your plant, show them the conditions here; show them your payroll; show them the clean, intelligent men and women, and that is the answer to all abuse that comes to your corporation.* No man who has the ability to rise can be freed from the criticism of his fellow-man; and you, my friends, who know as well as I the frailty of the whole human family, know that the successful man is always a mark for calumny. But what care you! The consciousness that you have protected your employees and stockholders, as has been done nowhere else better, must be your reward. May the strength, vitality and energy of you older men, who organized this great concern, descend with your ideals unimpaired to the younger men who are to succeed you. *And so I have no criticism but words of praise, because, as I say, I wish that all Massachusetts could see what the Governor has seen here today*—clean human beings working in contentment. You have reasons to be proud, and, if the State temporarily appears not to note what you have done, the consciousness that you have done well, that you are doing your best, which, sadly enough, is lacking too often, is immediately visible on the faces and in the surroundings of your workers, and that must be your solace.

"That not once in the history of your organization has industrial strife visited you, must be a source of satisfaction to you, Mr. Brown; and I repeat, not only am I impressed with your financial success but with what I have seen here today, and I was critical and wanted to see everything.

"You are to be congratulated because of the consideration you show your employees and because of the co-operation which they give you."

II

MAYOR CURLEY OF BOSTON

"Unfounded Attacks Would Be Constituted a Crime"

Mayor James M. Curley of Boston, on the occasion of the visit of the Mayors' Club of Massachusetts to Beverly on May 27, 1914:

HON. JAMES M. CURLEY

"I sincerely wish that it were possible that every public man, especially our state and national officials, visit this industrial institution that they might grasp at first hand the grand work that the United Shoe Machinery Company is striving to do, that the benefits it affords its home community, the state and eventually the nation, might be comprehended. The policy of the state and national governments would no longer persevere in the channels recently chosen, second-hand information would no longer be accepted in substitution for facts, bitter and unfounded attacks would be constituted a crime. The government instead would throw about beneficent companies of this character a protecting arm, warding it from abuse, suits and legal entanglements which it now places in its path, that its energies be allowed to develop and be conserved for larger and more highly efficient industry.

"*Companies like yours are subject to abuse. No man can rise one inch without being subject to abuse. No great industrial organization can rise one inch without being subject to abuse. You must expect it. But bring these men to your plant, show them the conditions here; show them your payroll; show them the clean, intelligent men and women, and that is the answer to all abuse that comes to your corporation.* No man who has the ability to rise can be freed from the criticism of his fellow-man; and you, my friends, who know as well as I the frailty of the whole human family, know that the successful man is always a mark for calumny. But what care you! The consciousness that you have protected your employees and stockholders, as has been done nowhere else better, must be your reward. May the strength, vitality and energy of you older men, who organized this great concern, descend with your ideals unimpaired to the younger men who are to succeed you. *And so I have no criticism but words of praise, because, as I say, I wish that all Massachusetts could see what the Governor has seen here today*—clean human beings working in contentment. You have reasons to be proud, and, if the State temporarily appears not to note what you have done, the consciousness that you have done well, that you are doing your best, which, sadly enough, is lacking too often, is immediately visible on the faces and in the surroundings of your workers, and that must be your solace.

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"Look about you! New England cities and towns are dotted with shoe factories owned by whom? By the young men of New England, small manufacturers who have prospered and developed under the liberal policy of the United Shoe Machinery Company, and today many of them are beyond the state of immediate financial worry. Young men, and in New England there are hundreds of them, who have nothing to offer this company as security but brains, energy, perseverance and an expert talent for making good shoes, have by the policy pursued by this company, become successful manufacturers, grown and fostered by the United Shoe Machinery Company.

"Not alone have the organizers of this corporation been successful and made successful men but it has enabled the many who have patronized it to share its success. It is indeed easy to flow with the tide rather than stem it. *The United Shoe Machinery Company has been the subject and the target for attack by the many who have striven to hinder it these many years, and it has succeeded in proving its worthiness to respect and success.* It stands as the exponent of a large and continuously growing industry which has its rightful home in New England."

* * *

Opportunity for Young Men

Mayor James M. Curley of Boston, at the banquet of Massachusetts Retail Shoe Merchants' Association, July, 1914, said:

"*I wish that those men who make the laws in this nation, who impose the burdens in every one of our states upon industry, that they would have an opportunity to get a closer vision of what has been accomplished there at Beverly, through the instrumentality of the United Shoe Machinery Company,* to realize that through the work of that institution it has been possible for hundreds of young men whose chief wealth consisted of a good head and good brain power fortified with energy and industry, and through the instrumentality of the policy of the United Shoe Machinery Company, have been able to earn millions of dollars and in some cases follow distinguished avenues in the business world.

"The liberal policy of that institution coupled with the greater capacity and ability of the men in the shoe line, have done much to bring individual prosperity, to bring general prosperity in your state and in mine and in every place where the shoe industry is found today."

III
THE DISSOLUTION SUIT

Excerpts from the Federal Court's Unanimous Decision Dismissing the Government's Bill

The suit for dissolution brought by the United States against the United Shoe Machinery Company, in December, 1911, and tried before Federal Judges Putnam, Dodge and Brown, in the United States District Court at Boston, was dismissed on March 18, 1915. The decision was unanimous. Each of the Judges delivered a separate concurring opinion.

The order of the court was:

The court having carefully considered the pleadings of the parties and their evidence, and heard the counsel, it is ordered, adjudged and decreed that the bill of the United States herein be dismissed.

The opinions in which all concur are voluminous. Brief excerpts are presented.

JUDGE PUTNAM

Judge Putnam, supporting the essential contentions of counsel for the defense, directed attention at the outset to the circumstance that "on the whole, as the case developed, no objection was persisted in by the United States to the fact that the policy of the Shoe Machinery Company was to lease its machines instead of selling them. It was plain that this policy was not injurious in a large sense. It enabled manufacturers of small and moderate means to embark in manufacturing to an extent which would have been impossible for them if they had been obliged to purchase machinery, because many machines are so expensive as to lock up capital, and render it dead for practical purposes of financing shoe manufacturing."

Leases Not Arbitrarily Enforced

"There is no proof that the United Shoe Company has enforced its leases in any arbitrary or unreasonable manner. On

the whole, it seems to have been moderate with reference to such enforcements, and the number of cases in which anything in the way of a forfeiture has been demanded has been so small that, on looking over the great mass of the operations of the United Shoe Company, such enforcements have been so few as to be practically negligible. * * *

No Oppression of Competitors

"We fail to find in the development of the United Shoe Machinery Company, and its operations, any support for the alleged charges in the bill of intended oppression, arbitrary conduct, or anything of that nature, especially so far as any allegations cover any attempts to destroy or cripple competitors. Looking at the great mass of facts proven in the case, and the immense number of transactions of the United Shoe Machinery Company, the evidence offered in that direction is so ineffectual that its weakness furnishes of itself satisfactory proof against what was intended to be established thereby."

JUDGE DODGE

Judge Dodge, commenting upon the leases and the tying clauses, said:

Free Competition Always

"Considering the whole field of machinery for stitching together the bottoms and uppers of shoes, there has all the time been free competition. The use of other machinery to accomplish the purpose has always been open to shoe manufacturers. In that part of the field of trade in shoe machinery to which the case is now limited as above, *the defendants have been not monopolists but competitors*. Their only means for holding the field have been legitimate means—better machines. * * *

Success Due to Superior Efficiency

"That the degree of success attained and the preponderance in number of users supplied which the United Company has secured, are fully accounted for by the superior efficiency it has developed in its patented machines for work in combination with each other, together with the superior facilities it affords as

above for their most efficient use, must be regarded as shown beyond question. * * *

The Lease System Indispensable

"None of the constituent companies were, in 1899, selling outright the patented machines they manufactured. The bill alleges the contrary, and charges that one of the steps taken after 1899, in pursuance of the alleged scheme to restrain or monopolize, was to discontinue sales and compel leases. An attempt to support this charge by evidence wholly failed. *Nothing of the kind was done, nor is it easy to see what grounds for making the charge could ever have been supposed to exist.* * * *

"The evidence also shows that the general system of leasing in this manner was and had long been the usual and accepted method of dealing between the makers of patented shoe machinery and those desiring to use their machines; and that, in its main features, it has thus become so widely and firmly established as to render the substitution of a different system practically impossible. * * *

Tying Clauses Not to Prevent Competition

"Considering the [tying] clauses objected to in the light of what preceded them, and of the circumstances attending their adoption by the defendants, the petitioner has not, in my opinion, proved that the defendants' object in adopting them was the prevention of competition by others."

JUDGE BROWN

Judge Brown discussed especially the patent questions in issue, and the leases.

The Tying Clauses

"*The term 'tying' is misleading in its implication that the manufacturer is bound by contract not to use the machines of others.* He is bound only not to use the leased machinery in violation of the terms of the lease. * * * The restricted or prohibitive leases do not in themselves as documents prove the denial of the right to procure, as before, independent leases for individual machines. As matter of fact, independent leases

which did give the right to use their machines with machines of other kinds, made by other machinery manufacturers, were always procurable. * * *

"The charge of this supposed scheme to deprive former customers of the right to use some machines unless they would also use others seems to have originated either in the erroneous assumption that a prohibitive lease was the only kind procurable, and that the former customer had no choice, or in disregard of the fact that it was merely an alternative form of lease. As the leases prove no such plan, whether of the extent alleged or of less extent, and as the evidence proves the exact contrary of what is charged, we think that the United Shoe Machinery Company is, upon the merits, entitled to a full clearance from this charge. * * *

Restricted Leases

"*We are unable to see that a shoe manufacturer has any just cause of complaint that the defendants offer him and their other customers restricted leases.* One who refuses these leases and takes the independent leases may complain that other shoe manufacturers are getting their machinery on lower terms; but the royalty rate will be the same, and the cost of initial payments is fixed and may be weighed as against the estimated value of taking machinery from other manufacturers. It is a mere question of dollars and cents. It is legal for the defendants to discriminate in price between customers who take large amounts and those who take small amounts. *In fact, it appears that certain large manufacturers have contended that it was unjust to them to fix the same royalty for a large manufacturer as for a small one, which has been the practice of the United Company.* * * *

"The reiteration by the United States of the statement that the lessee must use, or is required to use, defendants' machines exclusively is misleading. The distinction between a contract requiring a lessee not to take other machines, and a limitation of the right to use the leased machines, is very material. * * *

Shoe Manufacturers Not Oppressed

"It is stated upon the brief of the United States that the record shows that a number of the largest shoe manufacturers in

the United States, lessees of defendants, are dissatisfied with their system of leasing. A number of these gentlemen have testified before us as to their very large production of shoes. They made no claim that the leases of which they complain have not furnished them with machinery entirely adequate for their business. Though the argument of the United States has urged upon us the unfortunate position of a shoe manufacturer after he has entered into contract with the Shoe Machinery Company, and deplores his supposed obligation to use the defendants' machinery throughout the contract period, yet *these very intelligent gentlemen cannot be regarded as objects of unjust oppression or coercion.* * * *

Not Monopoly but Merit

"*It is impossible to believe that the defendants' equipment is in so many shoe factories for any other substantial reason than the merits of what they have had to offer.* To say that this is due, in any substantial degree, to the fact that its leases run beyond the terms of patents, or because of the exclusive use, prohibitive of cancellation clauses, rests largely, if not entirely, upon assumption. But that the business of these defendants rests upon the lease provisions objected to in such a substantial amount as to constitute any factor of independent force in securing or maintaining a monopoly does not appear."

[*This trial began on May 20, 1913, and the taking of testimony continued for many weeks. The court had the case under consideration for over nine months. It is worth bearing in mind that these three judges are probably the only disinterested men in the world who have had the opportunity to hear all sides of the case, under oath, and who have examined exhaustively all the questions which have arisen concerning the business of the United Shoe Machinery Company and all the charges which have been made against its methods. Their decision in the Company's favor was not only unanimous, but emphatic.*]

IV

THE PRESS ON THE DECISION

Hope in the Rule of Reason

(The N. Y. Times, March 21, 1915)

There is hope for good business in the steady application by the lower courts of the rule of reason. That is the significance of the decision in the Shoe Trust case. Its authority is considerable, because it does not stand alone. This trust has won over its prosecutors three times in the American courts, and on similar issues once in the British courts. Stubborn support of the theory that four decisions are wrong and that the trust is notwithstanding a bad trust is nevertheless not absent. The function of the courts is to settle disputed points. When the courts settle them repeatedly the corpse should not be resurrected for another wake. Yet the decision is greeted with the original assertions of extortion and oppression. It is said that the trust's business methods are obnoxious because they "compel" the use of all of its machines if any are wanted. It is said that the machines are so good that the users must have them or go out of business, and the trust is blamed for that. It is thought a suitable substitute that the buyers of the machines should invoke the compulsion of the law to require the trust to sell on the buyers' terms. The only compulsion in the power of the trust is the excellence of its machines.

The price and quality of the shoes are all that interest the public, apart from the questions of public morality, which the courts have settled repeatedly in favor of the trust. It is admitted that the shoes made by the trust's machines are better and cheaper than before the trust's machinery was sold. It is admitted, also, that the majority of the users of shoe machinery are satisfied with both machines and the trust's procedure. The agitation against the trust appears to be a quarrel between rival machinery makers.

An Approval of the Square Deal

(Boston News Bureau, March 23, 1915)

Careful reading of the United Shoe decision confirms first impressions—that it is the most important document that has been handed down by any court in years. It puts the stamp of approval on the square deal in American business. It shows how unwarranted and unjust have been the criticism and attack which have been hurled at the company during the past decade.

A Legal Bill of Health

(Commercial Bulletin, Boston, March 20, 1915)

The decision, which was unanimous, supports the company at every point, dismissing the allegation of the elimination of competition, upholding the validity of patent rights, the Plant purchase and the leasing system and in general commending the company for its methods of doing business with the shoe manufacturers. In a word, the decision is tantamount to a comprehensive and unqualified legal bill of health. It is safe to say that the decision leaves nothing to be desired by the company's strongest friends.

When Big Business Is Legal

(Boston Advertiser, March 20, 1915)

The decision in the case of the United Shoe Machinery Company, as handed down by Judges Putnam, Dodge and Brown, covered three legal phases of the same suit. But, after all, the three decisions ran on all fours, and reached the same conclusion. It amounted to this: that "Big Business" is not necessarily bad business; that indeed it may be the best sort of business, in the interests of the whole community.

The Shoe Machinery Decision

(Washington Herald, March 28, 1915)

In this civil case, which was against the company as a unit, the members of the United States District Court, sitting in Boston, have decided unanimously that all the contentions of

the government in its suit against the company were without merit. The government's petition for dissolution of the company was therefore dismissed. An appeal will, of course, be taken to the Supreme Court by the government; but the opinions written by the members of the District Court are so clear and so positive and seem to concern themselves to so large an extent with questions of fact, that it must be regarded as very doubtful if the Supreme Court will overturn the decision of the lower Federal tribunal.

No Cause for Action

(Boot and Shoe Recorder, March 27, 1915)

The general tenor of the claims of the company are well known, in and out of the shoe trade, namely: that they believed they were operating under the law; that they had not prevented or excluded competition; that additional machines were of their own devising or were purchased from patentees legitimately, in open market; that many of their machines are sold outright; that their leasing system was within their legal rights, and that it was a benefit to the shoe manufacturing trade and the public generally, because of its offering facilities to the shoe manufacturer of small means, enabling him to operate without the large investment which would be needed for an equipment of machinery if it had to be bought outright, thus promoting competition in the production of this important commodity. They appear to be sustained by the trial court.

ROYALTIES IN CENTS

Sworn Statement as to the Amount Paid by Manufacturers of Shoes

President Sidney W. Winslow of the United Shoe Machinery Company in the United States District Court in Boston on January 13, 1914, made the following statement, under oath, with regard to the royalty paid by a shoe manufacturer at the time the suit for dissolution was brought against the Company in December, 1911:

The average royalty paid by a shoe manufacturer for the use of all machines furnished by the Company in the manufacture of all types and grades of shoes is less than two and two-thirds cents per pair. This includes the Goodyear welt shoe, on which the highest grade of royalty is five and a quarter cents.

V

HON. AUGUSTUS P. GARDNER

Views of the Massachusetts Congressman and His Constituents on the Leasing System

Congressman Augustus P. Gardner of Massachusetts appeared before the Committee on the Judiciary of the House of Representatives at Washington on February 20, 1912, at the time of the hearings on bills relating to shoe-manufacturing machinery. Mr. Gardner said:

HON. AUGUSTUS P. GARDNER

"I have been asked this afternoon—about an hour ago—to come here and testify as to the opinion of the shoe manufacturers in my district, which is a very large shoe district, probably the largest in the United States with the exception of Mr. Harris's and Mr. Roberts's. * * * I am going to say that I do not approve of the tied leases, but on the other hand the question seems to be whether the leasing system can continue if you do not have tied leases, and in my opinion the sentiment of the manufacturers in my district is overwhelmingly against the enactment of these bills introduced by my colleague, Mr. Thayer.

"In private conversation Mr. Charles K. Fox has spoken to me a great many times on this question—not a great many times, but he or his counsel, Mr. Harriman, have spoken to me and

written to me a great deal on it—and from time to time in the last ten years I have heard an occasional kick. Somebody says 'the United Shoe Machinery Company ought to be touched up,' but, on the whole, I believe it to be the case that the people who take that point of view are very scarce indeed. * * *

"I find I have had thirty-three letters in opposition to the Thayer bill. * * * A great many of them from men who have come up from the bench, and the tenor of the whole lot of them is that without this leasing no young man would feel that he could rise from the bench. * * *

"I put on top here, sorted out at random, because I only had an hour or so to do it, a number of very significant letters. Cass & Daly—both came up from the bench, did they not?"

Mr. Donovan: "Yes."

"Cass & Daly; that is a firm that has gotten pretty large. That is, I think they would be classed as Class A in the directory."

Salem, Mass., February 16, 1912.

We are manufacturers of shoes, employing about 1,000 people in the city of Salem, our business having developed from a very small beginning. As we have adapted our business to the conditions under which we have grown, we feel that any radical change in the method of obtaining our shoe machinery would operate greatly to our disadvantage, as well as to that of all, except the extremely wealthy manufacturers.

A change from the present lease and rental plan of obtaining machinery to a straight purchase plan would mean forever closing the door of opportunity to the men of limited capital who desired to engage in the manufacture of shoes.

The Cass & Daly Shoe Co.
Joseph E. Daly, President.
William F. Cass, Treasurer.

W. J. BARRY SHOE CO.
Salem, Mass., February 17, 1912.

We have always found the United Shoe Machinery Company beneficial to the young man or men who

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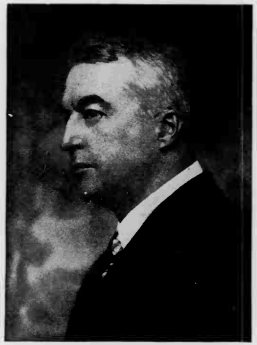

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"In private conversation Mr. Charles K. Fox has spoken to me a great many times on this question—not a great many times, but he or his counsel, Mr. Harriman, have spoken to me and

written to me a great deal on it—and from time to time in the last ten years I have heard an occasional kick. Somebody says 'the United Shoe Machinery Company ought to be touched up,' but, on the whole, I believe it to be the case that the people who take that point of view are very scarce indeed. * * *

"I find I have had thirty-three letters in opposition to the Thayer bill. * * * A great many of them from men who have come up from the bench, and the tenor of the whole lot of them is that without this leasing no young man would feel that he could rise from the bench. * * *

"I put on top here, sorted out at random, because I only had an hour or so to do it, a number of very significant letters. Cass & Daly—both came up from the bench, did they not?"

Mr. Donovan: "Yes."

"Cass & Daly; that is a firm that has gotten pretty large. That is, I think they would be classed as Class A in the directory."

Salem, Mass., February 16, 1912.

We are manufacturers of shoes, employing about 1,000 people in the city of Salem, our business having developed from a very small beginning. As we have adapted our business to the conditions under which we have grown, we feel that any radical change in the method of obtaining our shoe machinery would operate greatly to our disadvantage, as well as to that of all, except the extremely wealthy manufacturers.

A change from the present lease and rental plan of obtaining machinery to a straight purchase plan would mean forever closing the door of opportunity to the men of limited capital who desired to engage in the manufacture of shoes.

The Cass & Daly Shoe Co.
Joseph E. Daly, President.
William F. Cass, Treasurer.

W. J. BARRY SHOE CO.
Salem, Mass., February 17, 1912.

We have always found the United Shoe Machinery Company beneficial to the young man or men who

have started in the shoe business usually where he has started with a limited capital, or the way all the larger concerns of today had started in their time of long ago.

We are, perhaps, as good an example of what the United Shoe Machinery Company has done for the young concern as anybody in the United States.

We have always found them very fair in their dealings, willing at all times to adjust any differences that have ever arisen and we feel that we have always got full value for whatever money we paid out.

The facts are that previous to the existing trouble between the Government and the United Shoe Machinery Company, that instead of tying up $10,000 or $12,000 of our capital in machinery, which we have above stated the bank does nor care to loan money on same.

On the other hand, by a small yearly rental, which we have always considered was the best thing that ever happened for the small concern, that it practically gave us this $10,000 or $12,000 to go out and buy stock and run our business on.

Another thing in justice to the company, I think their machines today are the best in the market. They are always striving to assist us by giving us the latest devices which are invented; and it has gotten so today that it is practically a universal thing throughout the country.

We feel that it has also been beneficial in a way to the laborer by once instruction on the machinery, he has had no difficulty whatever in securing a position in the other factories; whereby had it been a competitors' machine, he would be forced to learn all over again, which is always a serious handicap to any firm's business. W. J. Barry Shoe Co.

Continuing, Mr. Gardner said:

"I concede, as I have told the gentlemen [a committee of shoe manufacturers from his district] yesterday when they came —I had not intended to appear before your committee before it

was pressed upon me—I said, 'Why, in my opinion, that tied lease is a distortion of the intention of our patent laws.' But what is bothering me is that, though it may be a distortion, it seems to me it has an extraordinarily beneficial effect, in that it permits young men such as the writers of these letters to rise from the ranks of the employed to that of the employer. * * * as to whether I thought the destruction of the tied leasing system would destroy the leasing system. All I can say is that I put that up to a great many people and they will not any of them want to take the risk. They explain why it would be sure to, but in terms which I did not understand, being a layman. * * *

"* * * putting it by and large I have not any question that if you did not have this leasing system it would fall into the hands of the big fellows. I say, if you did not have a lease system. I did not necessarily say this lease system, because I do not know. All I say is that the majority of my constituents seem to me to think so."

* * *

SHOE MANUFACTURERS OF ESSEX COUNTY

In Essex county, Mass., Congressman Gardner's district, there is manufactured one-seventh of the footwear made in the United States. The following extracts are from letters received from his constituents by Congressman Gardner, and laid before the House Judiciary Committee when he appeared before them on February 20, 1912:

Garden City Shoe Co., Beverly, Mass.

We are using some rental machinery and some royalty, as well as some on which we have paid no initial cost. We find this arrangement helps the small shoe manufacturer to do more business on the same capital. If we were compelled to purchase all our machinery outright, it would be a hardship.

Consolidated Shoe Co., Salem, Mass.

Our experience with the present system of leasing and renting machines from the United Shoe Machinery Company has, as a whole, been very satisfactory. The United Shoe Machinery Company has given us excellent service through their force of

expert machinists, and, taking this service into consideration (which is indispensable with the complicated machines now in use) and the fact that no initial payment is required, the charges for rental and material have been fair and reasonable.

We are convinced that if we were obliged to buy all machines outright which we now lease or rent from the United Shoe Machinery Company, on condition that the material shall be bought from this company, the cost would be greater and the service poorer, and it would be a hardship. This applies especially to concerns of small capital.

Travers-Smith Co., Peabody, Mass.

Our experience has been that the present method is the most satisfactory.

First. Because all manufacturers are treated alike, regardless to the amount of business they do.

Second. Because the terms are so easy. A young man may engage in the shoe business without tying up much capital in machinery, thereby giving him so much more to do business with.

Third. Because of the excellent service which we receive from the United Shoe Machinery Company in case of trouble with any of our machines. This service in itself cannot be estimated for the reason that promptness often saves orders.

Fourth. Because of the easy terms we are always able to install the latest machines, thereby giving the consumer the best that can be had without any additional cost. This is a great advantage to the shoe manufacturers as well as to the consumer.

Fifth. Because with the present system we are more free from labor troubles for the reason that in all cases where improved machines are installed the only claim of the machinery company is better quality of workmanship, and it is a fact that notwithstanding the great advance in the price of leather better shoes are made today than ever before for the money.

We believe that the average manufacturer in New England employing from two to three hundred people, as we do, are better able to meet the competition of the great big concerns such as

the St. Louis houses, which you know have other advantages over New England manufacturers.

We only wish that our labor unions would make one price for all, as the United Shoe Machinery Company does. If the present policy in regard to the shoe machinery is made to suit the few very rich would be trust shoe manufacturers, we can see where the opportunity to work up from the bench as the great majority have is a thing of the past, and a shoemaker will have no more chance of going in business for himself than a textile worker has today.

We have no interest whatever in the United Shoe Machinery Company. We own none of its stock, and no special interest in anybody that does. It is a business proposition with us.

Bell Bros. Co., Salem, Mass.

We have been in the shoe business a little over two years' time, starting with a comparatively small capital, and at the present time having a capacity of fifty 72-pair cases per day (and are of the opinion that this is the kind of so-called undesirable competition referred to by the shoe manufacturers' alliance).

We attribute our success in a great measure to the help we have received from the United Shoe Machinery Company, and feel confident that we could not have attained this end in so short a time if we had not had their co-operation.

H. T. Hopkins & Sons, Salem, Mass.

We have manufactured shoes for thirty-two years, and not in the history of our career has the conditions as in vogue today regarding sale and lease of machinery, tools, etc., been as satisfactory and agreeable to us and the industry at large as they are at the present time, and hope very seriously that they will continue as they are.

J. H. Winchell & Co. (Inc.), Haverhill, Mass.

We are pleased to state without hesitancy that with some little modification in the leases of the United Shoe Machinery Company we believe that every manufacturer in the United States

would not have any cause for complaint, except, perhaps, on some personal ground. We ourselves, and we believe we express the opinion of hundreds of others, prefer to do business with the United Shoe Machinery Company under their present form of leases than to return to our former method of handling our factory machinery account.

The services rendered by the company to us in times of changes in our plant, in times of labor trouble, in times of what might be called overproduction—we have received the support of their entire organization when necessary, which, if we were to buy in the open market to accommodate ourselves at such times would necessitate the employment of tens of thousands of dollars more than has at present been required to maintain our organization and production.

If at times we need for temporary use five, ten or more machines, they are shipped, installed, and manned in quicker time than it would take to experiment with some new and untried independent machine. The capital formerly employed by us in the buying of machinery and invested in machinery was several times larger ten years ago than at present.

In dealing with this matter we wish and desire, as all reputable concerns should do, that any company, including the United Shoe Machinery Company, with whom we deal, should, without question, be doing their business at all times within the meaning of the law.

It is our candid opinion, and we believe we are in a position to know absolutely, that benefits have accrued to the manufacturer since the organization of the United Shoe Machinery Company in greater proportion by far than any slight injury or detriment could possibly have been done to some particular individual or small number of shoe manufacturers represented in complaint against them.

Carl C. Hayden, Haverhill, Mass.

We wish to state that our business relations with the United Shoe Machinery Company have been very pleasant, and the present existing conditions are perfectly satisfactory to us. If the aforesaid bills are enacted, we believe it will work a hard-

ship on the shoe manufacturers, particularly the small ones, inasmuch as it will force all of us to invest a great deal of capital in our machinery equipment, which we are reluctant to do. The conditions under which we lease machinery of the United Shoe Machinery Company at the present time we consider very fair, and we do not wish any laws enacted which would upset present conditions and which we believe would be detrimental to the shoe manufacturers' interests.

J. Brown & Sons, Salem, Mass.

We have done business with this concern ever since it was organized, and our business relations have always been most satisfactory.

The United Shoe Machinery Company has been of the utmost benefit to the smaller manufacturers, and by its methods has furnished manufacturers at such a low cost that the consumers are enabled to buy their shoes at the lowest minimum prices.

Sheridan Bros., Haverhill, Mass.

We are perfectly satisfied with the present lease system of the United Shoe Machinery Company, and believe the shoe manufacturers are better off under this system than other conditions.

W. & V. O. Kimball Co., Haverhill, Mass.

I have found in every instance the United Shoe Machinery Company has treated me with the utmost fairness and have always taken into consideration my interest and have tried continually to make everything as easy and nice for me as they could possibly do. I have for a long time and do now, consider the United Shoe Machinery Company as it stands today one of the public benefactors of the shoe industry. It assists young men to do business years before they would be able to do business if they did not avail themselves of the liberal manner in which the United Shoe Machinery Company treat them.

They have a big plant and well equipped. They treat everybody alike. A millionaire cannot buy a piece of machinery

cheaper than the manufacturer of limited capital. Neither does a big manufacturer get quicker service and better results than a smaller manufacturer. The parts they make to go with their different machines are struck off in thousands, where a small dealer in parts, as a rule, has done business on a small scale, and an order for a part costs 15 cents; in old times I have been unable to get it under four weeks, where with the United Shoe Machinery Company I get it at once, and if it is any particular part that needs any particular adjustment, I get it and a man comes with it and adjusts it free of expense to me, and so the matter is adjusted and arranged in my shoemaking room, so there is actually no break whatever. If I was dependent on a half a dozen other manufacturers' parts, my experience is that I never know when I am going to get them. While on the face of it it looks a little one sided, no one can judge in this matter in a practical way unless they run a factory of their own and continually from day to day get into places where something must be done at once to help them out in order to not make a break in his room.

I believe we are buying our parts cheaper today, getting them adjusted quicker than we could in any other known way. I speak from fifty years' actual experiences, being in my factory in that 50 years on an average 10 hours a day more than 50 weeks in the year.

I believe that seven-eighths of the manufacturers in the United States today are fully satisfied and fully in sympathy with the United Shoe Machinery Company in their efforts to give us prompt, efficient service at a reasonable price.

M. Shortell & Son, Salem, Mass.

From our experience in the manufacture of shoes, we have come to the conclusion that, all things considered, the United Shoe Machinery Company and its method of doing business are a benefit to the shoe industry.

A. J. Merrill & Co., Haverhill, Mass.

At the present time if we are not getting the proper results from any of our machines or wish any advice on any matter of shoemaking we simply call upon the United Shoe Machinery

Company, from which we receive a prompt and willing response to all our requests. This service is of incalculable value to us, and we do not wish any legislation passed which might in the slightest degree impair this service. We are perfectly satisfied with the present conditions under which we lease our machinery of the United Shoe Machinery Company, and do not wish the conditions altered in any way.

Marston & Brooks Co., Salem, Mass.

The writer has been buying, renting, and leasing shoe machinery for twenty-five years, and must say that I know that the present method of the United Shoe Machinery Company in dealing with shoe manufacturers is far better than it ever was before, and firmly believe that this company is better able to meet the conditions and requirements of the manufacturers in the future than it is possible to be done in any other way.

J. W. Carter Shoe Co., Beverly, Mass.

We have done business with the United Shoe Machinery Company since their organization and with the old companies which they now control. Our service is much better than ever before, and if the small royalties which they now receive on their machines were removed they would be of no benefit to the consumer.

We consider their business methods excellent. Every manufacturer is treated alike, whether large or small. They enable many small manufacturers to conduct their business with less capital than they would if they had to buy their machines outright.

F. M. Hodgdon, Haverhill Mass.

I feel justified in requesting you to please accept this vigorous protest from a shoe manufacturer of twenty years' experience, who has fully tested in the most practical way, from the standpoint of actual cost and the quality standard, both methods of shoe machinery operation, viz, the old method of buying and owning these expensive machines outright and for the past eight or ten years the method of using entirely the leased and rented machines from the United Shoe Machinery Company.

We have found this method of using the leased machinery from the United Company to be more advantageous in many ways, in addition to the all-important benefit of less cost per pair of shoes per annum on our output on the item of actual net machinery cost.

We feel that we should not be deprived of this benefit unless receiving in its place something of equal or greater benefit to the shoe manufacturer and the consumer, and believe that a very large majority of the shoe manufacturers of the United States would testify to a similar experience and preference in this matter if their expression could be obtained at this time.

W. J. Clark & Co., Marblehead, Mass.

We have done business with the United Shoe Machinery Company the past twelve or fourteen years, and we want to say the service and accommodations have been beyond question, always ready to assist and help us when occasion required it.

ROYALTIES IN CENTS

Sworn Statement as to the Amount Paid by Manufacturers of Shoes

President Sidney W. Winslow of the United Shoe Machinery Company in the United States District Court in Boston on January 13, 1914, made the following statement, under oath, with regard to the royalty paid by a shoe manufacturer at the time the suit for dissolution was brought against the Company in December, 1911:

The average royalty paid by a shoe manufacturer for the use of all machines furnished by the Company in the manufacture of all types and grades of shoes is less than two and two-thirds cents per pair. This includes the Goodyear welt shoe, on which the highest grade of royalty is five and a quarter cents.

VI

HON. ROBERT O. HARRIS

Opinion of the Congressman Representing the Largest Shoe Manufacturing District in the United States

Congressman Robert O. Harris of Massachusetts, appearing before the House Committee on the Judiciary at Washington on February 22, 1912, said: "I represent the largest shoe manufacturing district in the United States. I have lived in the district all my life. I have seen the industry grow from a domestic one, when we had none of the large shoe factories as at present exist; when the men had little shops in their front yards and did part of the work, and other men came around with wagons to bring the uppers, and men to take the heels and soles, and carry them back to the factory, to the present highly organized and perfect factory system. I have known the condition of the manufacturer, because in my practice as a lawyer I have had a good many shoe men at different times as my clients. I have known some of their difficulties in the matter of constant change of machinery. If a new machine came on the market they would have to throw out what they had bought for the sake of a little more efficiency and a little more profit. I have seen the present great factories grow. I know a great many of the manufacturers and yet since this matter has come up I have

HON. ROBERT O. HARRIS

heard not a single word in favor of this proposed legislation, not a word in favor of it has come from that district to me. They do not talk about it as a matter of law, or change in the patent laws, but as a matter of business. The manufacturers are interested in turning out their product. The workmen in the factories are interested in getting their wages, as much as they can.

"I have just received a letter which I would like to read to this committee, written by a gentleman who perhaps is known to some of you personally, and certainly to all of you by reputation. It is a personal letter from William L. Douglas, of the great W. L. Douglas Shoe Company, once Governor of Massachusetts."

Ex-GOVERNOR DOUGLAS'S LETTER

Brockton, Mass., February 17, 1912.

Congressman Robert O. Harris,
House of Representatives,
Washington, D. C.

Dear Sir:

Two bills have been introduced in the House of Representatives by Congressman Thayer of Worcester, in which the shoe manufacturers of Massachusetts are especially interested.

The object of these bills is to prevent the leasing of shoe machinery on the terms which shoe manufacturers have been accustomed to for a great many years, and to establish conditions under which the entire industry would be confronted with new and uncertain problems.

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As one who has been engaged in the business for many years, I should regret exceedingly to see legislative interference between my company and any other company with which we have

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HON. W. L. DOUGLAS

As one who has been engaged in the business for many years, I should regret exceedingly to see legislative interference between my company and any other company with which we have

enjoyed, in the main, mutually satisfactory relations. In matters of difference in regard to business policy it is always better that results should be arrived at by mutual conference and agreement between the parties concerned.

In this particular instance it would be especially unfortunate if Congress should undertake to pass legislation which would revolutionize existing conditions, and the Thayer bill has evidently been drafted without a proper consideration of the real requirements of the shoe industry. For one thing, it would abridge the freedom of contract which shoe manufacturers now enjoy. There are many distinct machines which are required in the making of shoes, and these machines work together most efficiently in a series or groups. For the purpose of best economy it is important that there should be continuity of operation and service, and it is to the advantage of a shoe manufacturer, so far as possible, to obtain all his machinery through a company which is capable of ensuring such continuity. A shoe machinery company which supplies a manufacturer with a series of machines is in better position to keep those machines in good repair and in continuous operation at a smaller expense and with greater effectiveness than a company which only has a few individual machines scattered about through many factories.

There are many shoe manufacturers who wish to be in a position to engage from a single shoe machinery manufacturer a number of machines which are operated together in a series so as to enjoy the advantage of this harmony and effectiveness of service, and these shoe manufacturers are now at liberty to enter into contracts by which they can obtain the use of a series of machines from a given company on more favorable terms than they could get if they were to use only one of that company's machines.

Under proposed legislation it would no longer be possible for a shoe manufacturer to make such a con-

tract. If he should wish to use the entire series of machines of the United Company, for instance, he would be compelled to pay the same prices, rentals, and royalties as the manufacturer who used only one of the machines of the United Company, and he would be permitted to receive only the same service. It would no longer be possible for him to enjoy the use of the company's auxiliary machines without the payment of a royalty on each of those machines. This is manifestly unjust.

There are other objections to the proposed measures, but the one I have indicated seems to me to be conclusive, and I believe that the great majority of shoe manufacturers on consideration of the scope of the bills will be found to be opposed to their enactment.

I respectfully urge you to use your influence against their passage.

Yours very respectfully,

W. L. DOUGLAS,

President W. L. Douglas Shoe Co.

Congressman Harris then said:

"I will also state to you one thing that has been stated to me by a man as a mere business proposition, why he is in favor of leaving the present condition undisturbed. He says there are many millions, and I don't know how many millions, in value of shoe machinery built and owned by the company at which these bills are aimed, stretching through some 1,400 or more shoe factories in the land. They are in one ownership and of one accord, and it is the business of that company, without charging the users, to keep those machines in the state of highest efficiency and to prevent as far as possible interruptions of the work of the factories. It needs no argument, I suppose, to prove that the factory that is to stop every day or every week or every two weeks to have a machine repaired is losing money every minute of the working day the machine is idle.

"The result of this present shoe machinery system is, as manufacturers tell me, that by constant effort made by this company

to improve its machines, to introduce new machines as they find improvements and taking out the old machines, and keeping them in repair, shoe manufacturers are enabled to meet the constant demand for raising the wage scale. And the increased wage scale has come largely by reason of this increase in efficiency.

"Now, gentlemen of the committee, I desire to have you know these things which come from my district, which district is most deeply interested, and from which, with the single exception of Mr. Charles H. Jones, who runs the Commonwealth Shoe & Leather Company, of Boston, with a factory in Whitman as well as in other parts of the country, I have heard no word in support of these proposed bills. On the other hand, I have had constant protest against them; and I have been urged by some of the most respected business men, men who are not simply manufacturers but are general business men, interested in what affects the general welfare of the community and not one certain line of business, men who know and represent the general thought of the community, to come and ask this committee not to report these proposed measures."

VII

ALFRED W. DONOVAN'S VIEWS

From a speech by Alfred W. Donovan, president and manager of E. T. Wright Company, shoe manufacturers at Rockland, Mass., and former president of the Boston Boot and Shoe Club, before Valladolid Council, Knights of Columbus, at their annual banquet in Lynn, Mass., on October 26, 1911:

ALFRED W. DONOVAN

"You have an industry here in Essex county which is the largest of its kind in the world, and I take this opportunity, and I am glad to have it, to voice my sentiments and voice my thanks for the good that the organization has done to me and my own corporation and to my workingmen and women, and that is the United Shoe Machinery Company.

"It is the company that has helped the poor man to start and has kept the rich man in rein; the company that will not give to the rich firm or corporation one iota more than it will give to the tiniest little boy just starting in business; the company that invites one or two or three or more young men to come out into the open and start in business for themselves.

"I want to state this fact, and that it is a fact, that if we as shoe manufacturers of Massachusetts were obliged to pay dollar for dollar for the equipment which we have in our mills, you would find the doors closed on a good many of them which are now furnishing a first-class living to thousands of men.

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"Why are the manufacturers of the city of Lynn successful? Why are the manufacturers of Brockton, or Rockland and Haverhill, of our entire shoe and leather industry, successful, more so in the last ten years than in the preceding twenty? It is because of two facts chiefly (and I am only telling you my own history): One, that we have a splendid asset in the quality of labor here; the other, that we are blessed with a shoe machinery system which has contributed to our success almost beyond our dreams.

"Every manufacturer who has the United Shoe Machinery Company's system is enabled to forget that he has a lot of machinery in his mill and has an opportunity to give his whole time and attention to the production of his goods, thanks to the service of this company.

"*It is a pretty good plan for the man who has been befriended to speak well of the man who has befriended him, and it is a mighty poor man who will throw down a man when he has been successful, so the other poor fellow cannot get up to him. And it is a pretty good firm and corporation that will make a big, rich fellow squeal and squirm and make the little fellow clap his hands with joy.* I am interested not one cent. I own no stock. I have no interest whatever in this machine industry. I have no interest whatever except in being grateful, and if there is anything in this world that rubs me the wrong way it is to see an ungrateful man."

VIII
TESTIMONY OF MANUFACTURERS

Voluntarily Given to the Boston News Bureau in Recent Canvass

In October, 1911, at a time of political agitation against the United Shoe Machinery Company, the Boston News Bureau, in order to secure direct information as to the feeling among shoe manufacturers, addressed a letter to each shoe manufacturing firm in the United States, inviting replies to a series of questions with regard to the United Shoe Machinery Company, its service and methods, and the shoe machinery situation in general. The responses showed that over 90% of the shoe manufacturers of the United States are satisfied with their relations with the United Shoe Machinery Company.

A. G. Spalding & Brothers

As an example of the views of shoe manufacturers on the service rendered by the United Shoe Machinery Company one of the letters received by the Boston News Bureau was written by A. G. Spalding & Bros., the widely known New York manufacturers of sporting goods and athletic shoes. Mr. Spalding says:

A. G. SPALDING

Our attention has been called to your effort to secure from the manufacturers of shoes their opinion of the United Shoe Machinery Co., and we are desirous of expressing to you our opinion of our relations with said company, and in answering your questions we desire to state:

That we have had business relations with the United Shoe Machinery Company since the organization of that company. Our relations with them have been uniformly satisfactory to us.

"Why are the manufacturers of the city of Lynn successful? Why are the manufacturers of Brockton, or Rockland and Haverhill, of our entire shoe and leather industry, successful, more so in the last ten years than in the preceding twenty? It is because of two facts chiefly (and I am only telling you my own history): One, that we have a splendid asset in the quality of labor here; the other, that we are blessed with a shoe machinery system which has contributed to our success almost beyond our dreams.

"Every manufacturer who has the United Shoe Machinery Company's system is enabled to forget that he has a lot of machinery in his mill and has an opportunity to give his whole time and attention to the production of his goods, thanks to the service of this company.

"*It is a pretty good plan for the man who has been befriended to speak well of the man who has befriended him, and it is a mighty poor man who will throw down a man when he has been successful, so the other poor fellow cannot get up to him. And it is a pretty good firm and corporation that will make a big, rich fellow squeal and squirm and make the little fellow clap his hands with joy.* I am interested not one cent. I own no stock. I have no interest whatever in this machine industry. I have no interest whatever except in being grateful, and if there is anything in this world that rubs me the wrong way it is to see an ungrateful man."

VIII
TESTIMONY OF MANUFACTURERS

Voluntarily Given to the Boston News Bureau in Recent Canvass

In October, 1911, at a time of political agitation against the United Shoe Machinery Company, the Boston News Bureau, in order to secure direct information as to the feeling among shoe manufacturers, addressed a letter to each shoe manufacturing firm in the United States, inviting replies to a series of questions with regard to the United Shoe Machinery Company, its service and methods, and the shoe machinery situation in general. The responses showed that over 90% of the shoe manufacturers of the United States are satisfied with their relations with the United Shoe Machinery Company.

A. G. Spalding & Brothers

As an example of the views of shoe manufacturers on the service rendered by the United Shoe Machinery Company one of the letters received by the Boston News Bureau was written by A. G. Spalding & Bros., the widely known New York manufacturers of sporting goods and athletic shoes. Mr. Spalding says:

A. G. SPALDING

Our attention has been called to your effort to secure from the manufacturers of shoes their opinion of the United Shoe Machinery Co., and we are desirous of expressing to you our opinion of our relations with said company, and in answering your questions we desire to state:

That we have had business relations with the United Shoe Machinery Company since the organization of that company. Our relations with them have been uniformly satisfactory to us.

It is our opinion that the United Shoe Machinery Company have benefited the manufacturers of shoes, especially the small manufacturer.

We are of the opinion that we could not have obtained equal benefit in the manufacture of shoes if the shoe machinery business had been less concentrated.

We desire to state that from the very beginning the United Shoe Machinery Company have shown every disposition to assist us in the operation of their machines, have given us the benefit of every improvement as soon as it is developed, and have kept the machines in proper working order far better than we would have done if we had owned the machines outright. As we manufacture shoes for a special purpose, and confine our manufacture almost entirely to athletic shoes, we consider that the benefits we receive from the United Shoe Machinery Company have enabled us to compete successfully with the larger manufacturers of shoes. If the business was less concentrated, it would enable the larger manufacturers of shoes to secure for themselves special machinery which the small manufacturer could not duplicate, except at a prohibitive cost, and thus it would place the smaller manufacturer at a disadvantage in the manufacture of shoes. It is our belief that if we had been obliged to purchase these machines that they furnish us on lease, that the cost of the machines would have necessitated the use of an amount of capital which, if we figured interest on same at the rate of 6 per cent., and not counting upkeep, would have equalled the amount of royalty that we have paid, and we would not have had the benefit of the extraordinary service that they render us at all times.

In conclusion, we desire to state that their business methods will compare favorably with that of any line of business that we are familiar with, and we consider the attack that has been made upon them is unjust, and does not represent the desire of those who are most interested, viz., the shoe manufacturers of the country.

Marion Shoe Co., Marion, Ind.

We feel sure that this entire agitation against the United Shoe Machinery Company has come from a few sore heads, the

same being some of the large shoe manufacturers who would like to get inside terms with the United Shoe Machinery Company, which would give them an advantage over their competitors.

We would feel as if we were entering upon unknown seas if we did not have a firm like this to look after our machinery end of the business.

The details of buying leather, findings and material of all kinds, thinking out new styles and patterns, and a thousand and one details of the business are enough to absorb the attention of the best brains that we can muster in the business without having to bother with the details of looking after the machinery end of the business as well. In fact, this is a load lifted off our shoulders, and not only we but the public at large reap the benefit of cheaper and better shoes.

Richards & Brennan Co., Randolph, Mass.

We have done business with the United Shoe Machinery Company since they were organized, and their service has been very satisfactory. We did business with the independent shoe machinery companies for four years prior to the organization of the United Shoe Machinery Company, and our experience during those four years furnishes positive proof that the United Shoe Machinery Company has given better service to the shoe manufacturers than the independent shoe machinery companies.

As to the royalty, what fault can any manufacturer find so long as all pay the same rates? The consumer is protected from the fact that if it were not for the present system of the United Shoe Machinery Company they would have to pay more for their shoes.

R. P. Hazzard Co., Gardiner, Me.

I am frank to say that I consider the United Shoe Machinery Company as being one of my best friends, and it has done as much to make this business the success which it is as any assistance we received outside of our own organization. I would regret exceedingly to have the federal government take any action which would materially destroy the present policy of the United Shoe Machinery Company. In a company as large as this there are bound to be some things which are not entirely

satisfactory to every one, but I think they are as free from this as is possible for a concern of their size to be, as they have the opportunity to be a little overbearing should they so desire.

T. H. Eisenhuth Co., Williamsport, Pa.

We believe that the present policy of the company is a decided benefit to the smaller manufacturers, inasmuch as it places them on an equality with their larger competitors so far as the company's line of machinery is concerned and enables men of small means to engage in the manufacture of shoes. The service which the company renders is of an exceptionally high order.

Charles D. Griffith Shoe Co., Denver, Col.

The great difficulty, I believe, in this matter, is that the intention is, if possible, to destroy the United Shoe Machinery Company, a large combination (if you please), to enable a still larger combination, i. e., the large shoe manufacturers, to control a much larger trade, which affects the same class of people, and to a larger extent. I have been informed that, for some time, the large manufacturers have been claiming that they should have a much lower royalty than that of the smaller manufacturers.

It is quite a well-known fact that a few of the exceedingly large shoe manufacturers think they are entitled to all of the business there is in the United States and are willing to get it, regardless of the effect it would have on the smaller manufacturers. We think their action is entirely selfish and that they are not worried in the least regarding the public.

Dixon-Bartlett Co., Baltimore, Md.

In the old days we purchased outright all machinery, which resulted in a heavy drain upon the business to keep up with "new inventions." So much so, that frequently we ran along for years rather than make an expenditure which would render useless an investment we already had. Our repair bills were constant, and the work being done by such machinists as were available, was unsatisfactory. When a bad break came it was not unusual

to be compelled to shut down that department several days until an expert could reach us from the "home office."

Under the United system we have a strictly modern equipment from start to finish. Machines are mostly installed by our preference upon the royalty basis or loan lease, although we have some machines purchased outright.

The service they render to us is most excellent and satisfactory.

Following the re-establishment of our factory after the great Baltimore fire of 1904, the "United" equipped our plant by a complete installation of their most modern types of new machinery inside of two weeks' time, supplied men for the work in all departments and continuing them upon the work until the new plant was in full operation and smooth running order, with an initial cost to us of one-half the book value of our old machinery account, a figure representing less than one-quarter of its original cost.

With our present equipment and figuring by proportion, we are producing 50 per cent. more shoes than we ever made in our old plant.

* * * efficiency of service is at times worth more than money to us, and from the fact that we—with the United Shoe Machinery Company—are today making and selling to our customers (all cost and royalties figured in) more shoes and better shoes for less money than we ever did in the "old days" we claim the consumer is deriving a material benefit, and we, with our customers, are satisfied.

Green-Wheeler Shoe Co., Fort Dodge, Iowa

It is inconceivable to me that a few large shoe manufacturing firms are able to enlist the whole power of the government to tear down (mainly in my judgment for personal reasons) an organization that stands today as the champion of the small shoe manufacturer and is operating in the interest of the development of shoe manufacturing. Should the government in its blindness succeed in dissolving the United Shoe Company and compel the shoe manufacturing fraternity to go back to antiquated methods or to methods untried it would mean the death knell of numerous

concerns located all over the United States who are today making a reasonable profit and who are aiding and stimulating the development of this industry over our entire nation.

I am incensed beyond measure that the government should be inveigled into a matter of this kind to the hurt of many hundreds of small shoe manufacturers who will be vitally affected, and consequently the consuming public who are today receiving the cost of lower shoes as considered in regard to the particular matter of the machine charge.

Allen-Foster-Willett Co., Lynn, Mass.

Four years ago the writer organized the present company and wishes to go on record to say that if he had to go out on the market and buy the machinery outright he would have been very seriously handicapped in getting this company under way, and it is safe to say that the present business would not have reached one-quarter of the proportions it has if we had had to take our capital and put it into machinery. We are quite clear that even if this could be done the cost of producing shoes would be greatly increased by the method.

Wolfe Bros. Shoe Co., Columbus, O.

We believe that the company has been one of the most important factors in the development of the shoe industry.

There never has been a day in the history of the shoe business when a firm or man could enter into the manufacture of shoes with as little capital invested in machinery as he can at the present time. There has never been a time in the history of the shoe business when there has been as good service rendered to the manufacturer by any or all machinery companies.

Callahan & Meyers, Allentown, Pa.

There is absolutely no other article of wearing apparel which costs so little as footwear when the number and cost of machines, number of operations, the skill required of each operator, is considered.

The United Shoe Machinery Company is responsible for the

above conditions in their generous way of leasing machinery, instructing and assisting the shoe manufacturer.

The objection raised by a few very large shoe manufacturers that are paying immense sums in royalties is that they must pay the same amount of royalty in each operation that the small shoe manufacturer pays. The writer has never heard even the slightest insinuation or charge against the United Shoe Machinery Company for rebating. This is where the consumer and the small shoe manufacturer alike are protected. This generous principle of helpful one-price royalty treatment of all is part of the success of the company.

Pratt Shoe Co., Natick, Mass.

We can only add that our experience with the United Shoe Machinery Company has been of the greatest assistance to us as shoe manufacturers during the past fifteen years we have been doing business. We should feel very sorry indeed to find any change of conditions forced upon manufacturers by legislation or otherwise.

Bion F. Reynolds, Brockton, Mass.

The United Shoe Machinery Company uses every one alike, and the only trouble with the Western manufacturers and a few of the large ones here, they do not like it because they cannot get this company to give them a rake off of about 25 per cent. on their royalties.

The St. Louis manufacturers would never have been in the position they are today were it not for the fact that this company have not only leased them the very best machinery, but they have taught them how to make shoes.

F. M. Hodgdon, Haverhill, Mass.

It seems obvious that a comparatively small, independent machinery company, representing one or a few machines, could not provide this service of expert mechanics and parts, to be immediately available in all the shoe cities, which the United Company can do at a nominal cost, by doing it on such a large scale.

We also believe that the machinery business in the hands of many independent companies, on the basis of buying the machines outright, would tie up a large portion of the working capital of many manufacturers, impairing their financial credit, and reducing their net earning capacity.

With every opportunity to be greedy and oppressive, it seems to us the policy of the United Shoe Machinery Company which we believe has been rigidly lived up to, to treat all manufacturers alike on every detail of price-lists, and terms, on which machines or supplies have been purchased from the company, whether small users of $500 per annum, or larger ones of $100,000 per annum, is a very unusual and meritorious record for the United Shoe Machinery Company, and we believe that this point alone has been a tremendous benefit to all concerned, manufacturers and consumers and especially to the New England manufacturers. We believe it has been very influential in keeping the shoe making industry one of open competition all over the country, thereby preventing a few of the large manufacturers combining and controlling advantages, over the smaller ones, with the view of driving them out of business.

Heywood Boot & Shoe Co., Worcester, Mass.

A great deal of the adverse criticism of the United Company has come from certain large shoe manufacturers who seem to think that they should obtain better terms from the United Company than the smaller manufacturers and it would appear to us that if the United Company were willing to make special agreements with them, that practically the entire clamor would die out. As far as we can learn, the United Company have treated everybody exactly alike and it certainly is of advantage to be able to figure the exact cost of the machinery charges in advance.

H. M. Packard & Co., Lynn, Mass.

When I started in business four years ago, I began in a small building 9 x 16, with very little capital. An entire stranger to any member of the United Shoe Machinery Company, I went to that company for my machinery, and they fitted me out with every new modern machine necessary for the manufacture of the

shoes I intended to make. I have since been able to increase my business, have twice enlarged my factory, whereas if it had not been for the United Shoe Machinery Company I would still be working at the bench.

Neenah Shoe Co., Neenah, Wis.

Now we know what our machinery and royalty costs are, and never until the existence of the United Shoe Machinery Company did the shoe manufacturers of this country know that, or the real value of their machinery account.

A. Priesmeyer Shoe Co., Jefferson City, Mo.

We believe the company has benefited the manufacturer, and under their present terms and conditions it is possible for the smaller manufacturer to expand, especially where lack of capital has been a hindrance to his getting efficient machinery equipment.

Brennan Tannery & Shoe Manufacturing Co., Upland, Cal.

Four years ago I started manufacturing shoes with a jackknife and hammer and without a doubt I would be doing the same today if it were not for the splendid assistance rendered by the United Shoe Machinery Company.

When a machine becomes partially obsolete or they get something that is newer and better, they allow us to discard the old and replace this with a new and more up-to-date one so as to put us on the same footing as the larger concerns.

The United Shoe Machinery Company, in my opinion, are the ones who have made it impossible for the large concerns to combine and form one of the greatest trusts in the country and you will find that if this company is put out of business that within two years a great combine will control the shoe manufacturing industry of the United States.

So far as the machinery end of the business is concerned, this is equal, for the man with small means, but with ability, has really the same opportunity as the man with millions. He obtains his machinery upon the same basis as his neighbor.

ROYALTIES IN CENTS

Sworn Statement as to the Amount Paid by Manufacturers of Shoes

President Sidney W. Winslow of the United Shoe Machinery Company in the United States District Court in Boston on January 13, 1914, made the following statement, under oath, with regard to the royalty paid by a shoe manufacturer at the time the suit for dissolution was brought against the Company in December, 1911:

The average royalty paid by a shoe manufacturer for the use of all machines furnished by the Company in the manufacture of all types and grades of shoes is less than two and two-thirds cents per pair. This includes the Goodyear welt shoe, on which the highest grade of royalty is five and a quarter cents.

IX

LOUIS D. BRANDEIS

From His Argument Before the Joint Judiciary Committee of the Massachusetts Legislature, April 18, 1906*

"I want, in the first place, before saying the few things I have to say, to answer what I believe was Senator Cox's last question as to the reason why it would not be satisfactory, if our machines are better than any others, to let them be sold without that clause in the contract. Mr. Storrow gave some reasons, perhaps sufficient reasons, but there is one other reason which directly affects the community as well as ourselves. If we do not have this clause in certain of the leases where we have it, we could not sell certain things we do sell, we could not lease certain things which we do lease at as low a price as we do. It is only on account of the volume of business that we are able to undersell other people. When you cut down that value, when you cut down the amount of business that the agent is going to look after in a particular factory, what we are going to manufacture, it would make it impossible for us to make low prices and make the same profit that we are making.

LOUIS D. BRANDEIS

"It has been said that this is a monopoly. In part it is a legal monopoly absolutely granted, because all the machines that we

* At this time Mr. Brandeis was a director of the United Shoe Machinery Company and one of its counsel. He was later employed by the group of St. Louis shoe manufacturers who have instigated suits against the Company and has since been in the employ of the Department of Justice at Washington.

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sell—I mean all that we lease or sell, because some we lease, some we sell and with some we do both—all of the important machines are patented machines. The federal law means that we shall have a monopoly of those.

Misconceptions About Leases

"The terms that these gentlemen say are in the leases are not in the leases, taken down as they say. It is not true that if you take one of our leases you cannot use any other machine. That is not true. Take the manufacturer of the Goodyear turn shoes, which Mr. Storrow spoke about, where he said there were ninety-six machines used, that we make, that we lease, or some of them that we sell. You would suppose from statements that have been made if a man took any of those machines, he had to take them all. That is absolutely untrue.

"There are fifty-five of those machines a man can buy from anybody, nothing in our lease, nothing in the patent that prevents their getting them. If they get them from us, they get them from us only because we are willing to give them those machines or lease them those machines at prices which are better than they can buy them at, provided they will use them only in connection with some other machine which we are leasing. That is a wholly optional thing with those people. They can get them from others, but they can get them from us cheaper if they are willing to use some other machine. There are certain important machines, patented machines, which we have and which we lease and lease upon terms which we believe to be fair and which are profitable.

The Greatest Promoter of Competition

"As I have said, as a director in this shoe machinery manufacturing company, I have a slight interest in this thing. I have an infinitely greater interest in the shoe manufacturing business as counsel for a large number of shoe manufacturers, than I have in this company, an infinitely greater interest. I do not believe that any of my clients who are shoe manufacturers, or any of anybody's else clients who are shoe manufacturers, come here. Why? Because while this company does control shoe manufacturing machines, it is the greatest promoter of competition

that there is. I have some knowledge of the general manufacturing business, which I have acquired, of course, and some practical, and I venture to say there is not a manufacturing business in the United States, unless it be the clothing manufacturing business, which we fortunately have not much of in Massachusetts, there is not a manufacturing business in which there is the same freedom of competition that there is in the shoe manufacturing business; and that happy result is due largely to the methods adopted by this Shoe Machinery Company and the predecessor companies combined together to form this company; and the systems today are not very materially different from what they were in the predecessor companies. Why is it? It is, in the first place, what Mr. Storrow has said to you, what I deem to be the fundamental or most important fact existing in business, that the smallest man who makes 50 or 100 pairs of shoes a day has just as great advantage as the man who makes 20,000 pairs of shoes a day; and I am very familiar with the business of two manufacturers who do that."

Rep. Phelan: "If you will excuse me, if that is so of the shoe business, why is it not true of the shoe machinery business?"

System and Harmony Required

"I think I can tell you just why. This business of shoe machinery manufacturing is an extremely extensive, complicated business. There are in the manufacture of every pair of shoes * * * a large number of distinct operations. * * * Those operations in the manufacture of some shoes reach nearly 300 operations in the manufacture of a single shoe. For the purpose of those operations there are a large number of absolutely independent machines which have to work in harmony, and which are in no way connected as a series machine, that is, of one single machine. Now, to work out that system requires in itself a comprehensive situation. Before this company was organized there were three companies that were large companies; one dealing with this Goodyear shoe machinery, one dealing with the metallic, which had to do with putting in metallic cases, and the nailing of the shoes, and the other dealt with the lasts. Those companies found that for the proper conduct of the business it was desirable that the business should not be confined to any

particular department, but that it should include a large number of departments, that there was an immense amount of expense and an immense amount of friction which necessarily resulted from any division in regard to a large part of this machinery. * * * We have in Massachusetts 343 shoe manufacturers with whom this company is dealing. We have today 262 men whose sole business is going out to those companies and seeing that the machines, which are constantly getting out of order, are put in order, helping on the new machines introduced, the improvements and one thing and another, or teaching those men who run them.

Expensive Service Free of Cost

"This is a service which is rendered free, it has to be rendered promptly, it has to be rendered quickly and on the spot. That is the reason why, and it was so stated in some of the testimony, the reason why this company has this great advantage on machinery which is not patented at all, over several of the gentlemen who appeared before another committee and talked about this, is because by their business organization and the fact of their putting out machines wholesale, though at a great deal of possible expense they are ready to put these men into the factories to see that the machines are there, and to see that they run properly.

"Nobody can possibly say we are selling things too dear or leasing things too dear, because, as Mr. Storrow said, in the last seven years, when the cost in every branch of shoe manufacture has gone up from 33 to 50 per cent. over every other department, it has actually gone down in ours. That is true not only that it has gone down because no royalty has been raised, but no royalty on material has been raised.

Lease System Best for Manufacturer

"The big man has no advantage over the smaller man. As a matter of fact, the smaller man has an advantage over the big one, because this little man with one of our machines making 50 or 100 pairs of shoes a day, is entitled to all the attention that the man making 20,000 pairs of shoes a day is entitled to; he does not get but one third or some other fraction of the capacity of the machine, but he has all the advantage of this larger man and the best attention we can give him. It is said that this

lease system is a bad system. I say it is the best thing that could happen to the shoe manufacturer, because he is able to get on in this business, he is able to engage in it without sinking his capital. One of the very men that Mr. Storrow spoke of, a man who is now making 20,000 pairs of shoes a day, is a man who within this very period I know of, in the shoe machinery business, had nothing practically, he is absolutely a new man in this short period which I have known. Then there is the other thing: These men are not getting only this machine; they not only do not make any investment, but they get all the improvements. The little man gets the new improvements without paying anything, just as the big man gets them; the big man also gets them. My clients—and I have some that are doing quite a large business—thought it was very unfair, that they could buy their leather cheaper because their credit was better, because they can buy a million dollars' worth at a time, and the only thing in the whole business they cannot buy cheaper was their shoe machinery or shoe machinery material."

* * *

Memorandum for the Judiciary Committee

Mr. Brandeis, in the course of a memorandum prepared for the Judiciary Committee, April 25, 1906, said:

"The inaccuracy of the sweeping statement that a shoe manufacturer is prevented by the terms of each United Company's lease from using any machine of a competitor is well illustrated by the facts in regard to the Goodyear welter and stitcher.

"In the process of making Goodyear welt shoes, which are the ordinary $3.50, $4, or $5 shoes sold by Douglas or Hanan, the shoe manufacturer uses generally, besides the welter and stitcher, 58 distinct machines, which the shoe manufacturer can obtain from the United Company, besides others in which the company does not deal. The welter attaches the inner sole to the upper and welt. The stitcher attaches the outer sole to the welt. These are fundamental machines in the Goodyear welt system, and the lessee of a welter may not use a competing stitcher, nor the lessee of a stitcher a competing welter, but as to the other 58 machines used in connection with a stitcher and welter in the manufacture of a Goodyear shoe, the shoe

manufacturer has the absolute liberty either to purchase or lease any or all of them from any other machinery manufacturers who make similar machines. If he takes from the United Company any one or all of these 58 machines, it is not because he is obliged to do so in order to get the stitcher and the welter, but because the terms which the United Company makes for them is so much more favorable than other shoe machinery manufacturers, or the machine which it furnishes is so much better than that furnished by other shoe manufacturers, or the care and attention which he gets from the company's road men is so much better than that of any other manufacturer, that he finds it to his advantage to use the United Company's machines."

X
A LARGE MANUFACTURER

At a convention of Western salesmen in New York City on August 21, 1914, a motion picture exhibition and lecture were given on the Goodyear weit shoe and the machines which manufacture them. Mr. J. F. McElwain, president of W. H. McElwain Company of Boston, one of the largest manufacturers of shoes in the United States, spoke as follows of the United Shoe Machinery Company:

"You probably don't know as much about this company as we farther East. It was developed to its present perfection from a very small beginning by the hardest work and by men who were then comparatively poor. They set about to develop the shoe from the hand-made article and today the Goodyear shoe, which you have just seen in the process of making, is cheaper and as good as the best hand-made shoe.

"The idea of this company was conceived by two men—Mr. Winslow and Mr. Brown. They set out to develop an idea—to create a shoe machinery organization that would revolutionize shoemaking, and it shows what men can do who stick to their purpose and use their brains and courage."

XI
"I TAKE OFF MY HAT"

What Educational Authorities Say About the Beverly Industrial School

Seventeen graduates of the Beverly Industrial School, the pioneer of its type in the United States and maintained through the co-operation of the City of Beverly and the United Shoe Machinery Company, were presented with diplomas at the graduating exercises of the class held on Thursday evening, December 16, 1915, in the High school assembly hall. The exercises were featured by addresses by Franklin B. Dyer, Superintendent of the Boston public schools, and Robert Orange Small of Beverly, Deputy Commissioner of Education of Massachusetts.

In addressing the graduates Superintendent Dyer said:

"From the good reports I heard of Beverly before I came East, I supposed that it was a city of 230,000 or so, so you have a reputation of a city ten times your size. I knew of Beverly because of three facts: It was the summer capital for four years, it was celebrated because of being the home of the greatest shoe machinery plant in the world, and, to one interested in school work, it is known from the Atlantic to the Pacific as the home of a school of a remarkable type in the industrial school world. I had the pleasure a week ago of getting a closer acquaintance with this remarkable plant which to my mind seems to typify American ideals carried into industrial life. * * *

"This institution seems to me to represent the true American institution and what it ought to be. It gives one the opportunity to work in an industry where he can use, according to his ability, his genius, in the scale of merit, and that is all an American has a right to ask for. In the distribution of its product it gives equal opportunity to all engaged in the business the industry provides for, and I take off my hat to that industry.

"It is splendid teamwork that has made that institution and your school possible, and it has given you young men a practical

education. It has given equal opportunity to all. To some people equal opportunity means the same opportunity, one chance, a free for all. It has given adequate opportunity to ability. I believe that practical education may be in the best sense a real education. You can give a conventional course in physics, but in this practical education you have given the boys an opportunity to grow up and develop the principles that govern the materials with which you have to work. You have applied physics to their needs, and mathematics, drawing and English can be applied in the same way toward making a real education. In this school, education has been coupled up with practical doing. It has been more than coupled up, for it has been interwoven, and when you can get an education under such conditions the boys have had an opportunity to be envied. I congratulate you boys on the proud memory you will have of getting your education in the most famous school of this type in the country."

"Without a Peer"

Deputy Commissioner Small said in the course of his remarks:

"Four parties are interested as active, co-operating workers in this particular event—the Commonwealth of Massachusetts, the City of Beverly, the officials of the United Shoe Machinery Company, the graduating members of this class and their immediate families. I have a word for each of these contracting parties.***

"As a State official and as a former city official identified closely with the early development of this school, I take this occasion to voice appreciation of the statesmanlike spirit on the part of the representatives of the United Shoe Machinery Company which led to the establishment of this school and contributes to its successful continuance. It stands unique in the list of vocational industrial schools in this country. In the extent to which the shopwork is made educational and at the same time is organized to contribute earnings to its pupils and in the way in which the school work is definitely related to the shop work, this school stands without a peer. I do not know of another corporation which has allowed as free a hand for the school officials to develop an educational policy within the shop, as has your concern."

XII

EXAMPLE TO BE EMULATED

A National Civic Federation Official Praises Welfare Work at Beverly

(FROM A LETTER BY MISS GERTRUDE BEEKS, DIRECTOR WELFARE DEPARTMENT, THE NATIONAL CIVIC FEDERATION)

"No other member has followed more zealously and adhered more closely to the underlying principles necessary to the successful operation of welfare work laid down by our Welfare Department at its inception, namely: that steady work, an equitable wage and reasonable hours of labor are the first essentials to the welfare of employes and that the employer must be just in those matters if he proposes successfully to carry out his further obligation in providing sanitary work places, recreation, educational classes, homes and provident funds—the five divisions of welfare work. One of our rules has been to advocate that particular attention should be given to the pressing necessities for the physical well-being of employes in their work places. That your company has recognized these fundamental principles is evidenced plainly in the development of your welfare work. One of the criticisms, sometimes erroneously made of welfare work, is that it takes the place of wages. This is clearly disproven in your case, since Beverly has been held the first industrial place in the State of Massachusetts regarding average yearly earnings since 1908. I believe the training of the young men, to increase their opportunities in life, is a contribution to good citizenship.***

Welfare Equipment of the Best

"One strong point in praise of this work is the spirit shown by the company, which provides these improvements *because it is right.* Your employes are treated as human beings, in that the equipment provided in connection with the welfare features is the best. To express to your company the appreciation I feel con-

cerning its helpfulness to the whole movement in the cause of welfare work would be to comment upon all the points so well covered. * * * I must congratulate you upon the preventive work, through ventilation devices, safeguards against accidents, light workrooms, lunch rooms and other sanitary arrangements making for good health. When all employers so recognize their full duty, the great need for tuberculosis sanitariums and almshouses will be materially reduced. The participation of the officials in the welfare activities also is gratifying.

"Since our method of inducing employers to better the conditions of their employes is that of proving the value of welfare work by quoting splendid examples, we shall find it particularly valuable to point to the United Shoe Machinery Company for emulation."

XIII

WISCONSIN COMMENDS

(FROM REPORT OF A STATE COMMISSION FROM WISCONSIN AFTER SPECIAL STUDY OF THE BEVERLY INDUSTRIAL SCHOOL)

"In the Beverly school scheme the factory has a workshop, fitted up for twenty-five boys. One week twenty-five boys work and the rest go to the high school, and then another division takes its place. The company hires competent instructors in the factory and the city binds itself to provide instruction in shop methods, English, mathematics, drawing, chemistry, and other studies. These studies are so arranged that they dovetail into the actual work of the factory. The company takes in boys from 14 to 18 who have passed the 6th grade.

"The remarkable point and the safe point, both from the standpoint of capital and labor and also from the standpoint of true industrial education, is that the arrangement is controlled entirely by a committee composed of five members of the school board, and one or more citizens of Beverly appointed by the mayor. Every factory has a representative appointed by the mayor upon nomination of the proprietors of the factory. As an additional safeguard, the whole is under the control of the Massachusetts commission on education, and state aid is given the city of Beverly to carry on the work. This seems a good combination, but unless the factory is as large as the United Shoe Machinery Company at Beverly, the shop instruction will not be adequate.

"It is not often that firms are found who will see matters in as broad a way as the United Shoe Machinery Company of Beverly. There are few places indeed in Wisconsin where such co-operation could be carried out. If successfully carried out it would provide a means for making the high school a real factor in the life of every community."

XIV

"SHOES AND CHARACTER"

(ELBERT HUBBARD IN "THE FRA" MAGAZINE, JULY, 1913)

There is no "Shoe Trust," and there can't be, for there are some thirteen hundred shoe factories in the United States, and more are being formed. I know of six shoe-factories in Saint Louis, all started by employees, who have come out of one particular factory and embarked in business on their own account. And they are all making money.

A Great Chance for Young Men

To the young man, the United Shoe Machinery Company opens the gate of opportunity. Just think of it! Here is one of the biggest industries in the United States — the manufacture of shoes — in which hundreds of fortunes have been made and in which the foundations for others are almost daily being laid. Any young fellow with experience, ability and character can start in it with an insignificant expenditure for equipment. He can get his machines from the Shoe Machinery Company with the certainty that he doesn't have to pay for them except in proportion to the number of shoes he makes, and that the rate he pays for his machinery is exactly the same rate that is paid by every other manufacturer in the United States who uses the same kind of machines. It is the only business in the world of which this can be said. You won't find any young men in the shoe business complaining about the United Shoe Machinery

Company. They cheer for it. Whatever complaints there are come from a few big manufacturers who can't reconcile themselves to being placed in the same category as their smaller competitors when it comes to the matter of machines.

Monopoly Out of the Question

Monopoly is out of the question in the shoe business, for the simple reason that any one who wants to start a shoe factory is not obliged to buy an outfit of costly machinery. He can lease shoe-making machinery, and get it on exactly the same terms that the biggest factories can.

If every shoe-factory had to buy or manufacture its own machinery, and thus keep abreast of the times, it would require such a vast capital, and also such a corps of inventors, that of necessity the business would be concentrated in the hands of a few. Instead of thirteen hundred factories, there would be thirteen, and if there were only thirteen they would get together and we would have a Shoe Trust. As it is, we haven't.

Today, the boot and shoe industry is the one large business left in the world not run by a so-called Trust, and the United Shoe Machinery Company is responsible for that fact.

Machinery Cost Insignificant

We have heard about the increased cost to the consumer by reason of the so-called "Machinery Trust." I suppose the average person, if asked what amount the owner of leased shoe machinery would receive on a pair of shoes, would say, "Oh, about forty or fifty cents."

The real fact is that it takes fifty-eight different machines to make a single shoe, and in cases where the entire fifty-eight machines are leased by the manufacturer of shoes the owner of the machines receives a royalty running up sometimes to five and one-half cents a pair. Where fewer machines are used, it runs as low as half a cent a pair, and the average for most shoes is about one and one-third cents a pair.

If this entire cost were wiped out, it would not make one cent's worth of difference to the wearer in the price for a pair of shoes! While leather and labor have increased in cost, the machinery cost of shoes is the one thing that has not advanced.

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The Lease System

Practically all of the shoe-factories in America lease their machinery. This custom has come down for the past forty years. The reason is that so many different kinds of machines are needed in making a shoe; and new inventions and improvements are happening every day.

Factories would not run the risk of putting in a new invention, especially in view of the fact that the machine might have to be replaced any day with something better, cheaper and more effective.

Ninety-five per cent. of manufacturers today very much prefer to lease a machine rather than purchase it outright.

The Capital Required

The one remarkable feature in the shoe industry, not noted in any other business, is that on a comparatively small capital the volume of business done is many times greater than the amount invested. Some manufacturers of shoes turn their capital from three to five times a year.

Successful Co-operation

The business of the United Shoe Machinery Company is one of the best examples of successful co-operation in America. Inasmuch as most of the machinery is leased, and pays a return only when used, it is self-evident that the machinery must be of a kind that will give a satisfactory service.

The United Shoe Machinery Company employs a force of more than five hundred traveling machinists, who are constantly inspecting the installed machinery and seeing that it is kept up in perfect condition. Idle machinery, like idle men, yields no income.

The World the Company's Debtor

Viewed from any and every possible standpoint the United Shoe Machinery Company has made the world its debtor. Consumers, employees, inventors, producers of raw stock, stockholders, management—all have prospered, because a great service has been rendered. Business nowadays is based on reciprocity, mutuality, co-operation. The United Shoe Machinery Company is a splendid example of all three.

And after all, is not the test of the worth of a corporation the service it gives to the people?

ROYALTIES IN CENTS

Sworn Statement as to the Amount Paid by Manufacturers of Shoes

President Sidney W. Winslow of the United Shoe Machinery Company in the United States District Court in Boston on January 13, 1914, made the following statement, under oath, with regard to the royalty paid by a shoe manufacturer at the time the suit for dissolution was brought against the Company in December, 1911:

The average royalty paid by a shoe manufacturer for the use of all machines furnished by the Company in the manufacture of all types and grades of shoes is less than two and two-thirds cents per pair. This includes the Goodyear welt shoe, on which the highest grade of royalty is five and a quarter cents.

The full text of any document from which excerpts appear in the foregoing pages can be obtained by writing to the United Shoe Machinery Company, Boston, Mass.

[Boston, Massachusetts, 1915]

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